

Message Text

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51

ACTION NEA-10

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FM AMEMBASSY JIDDA

TO USDOC WASHDC IMMEDIATE

INFO SECSTATE WASHDC PRIORITY 9371

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

UNCLAS JIDDA 6930

COMMERCE FOR CAGNE

E.O.: 11652: N/A

TAGS: EIND, EINV, BPRO, SA

SUBJ: INVESTMENT PROPOSAL: ANACONDA/XENEL

BEGIN SUMMARY: PROMISING PRIVATE JOINT VENTURE FOR WIRE AND CABLE PLANT HAS COME UNGLUED BECAUSE U.S. COMPANY HAS CHANGED ITS MIND ABOUT ONE OF THE TERMS OF AGREEMENT. ACTION REQUESTED: COMMERCE CONTACT CHAIRMAN OF ANACONDA COMPANY TO URGE HIM TO RECONSIDER. END SUMMARY.

1. ANACONDA COMPANY (WIRE AND CABLE DIVISION), GREENWICH, CONN, PHONE (203) 661-0090 RECENTLY CONCLUDED JOINT VENTURE DEAL WITH SAUDI FIRM XENEL FOR ESTABLISHMENT OF A WIRE AND CABLE PLANT IN SAUDI ARABIA. EMBASSY HAD PLAYED A ROLE IN STEERING THIS OPPORTUNITY INTO U.S. HANDS AND WAS VERY PLEASED AT RESULT. KHALID ALI REZA, PRESIDENT OF XENEL, HAS JUST CALLED TO INFORM US THAT ANCONDA HAS NOW BACKED OUT OF THE DEAL. ACCORDING TO ALI REZA, THE REASON IS THAT ANACONDA HAS REVERSED THEIR AGREEMENT TO A CLAUSE (PARA 2.5B OF AGREEMENT) STIPULATING THAT IN THE EVENT THAT CAPITAL SHOULD BE REQUIRED BEYOND PAID-UP EQUITY AND THE SAG INDUSTRIAL DEVELOPMENT FUND LOAN, ANACONDA WOULD GUARANTEE SUCH FUNDS (I.E. STAND AS GUARANTOR FOR ADDITIONAL BANK LOANS).

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2. WE CAN UNDERSTAND THAT ANACONDA MIGHT CONSIDER SUCH

A PROVISION AS UNEQUAL, BUT THEY HAD ACCORDING TO ALI REZA, PREVIOUSLY AGREED TO IT AND EVEN DRAFTED THE LANGUAGE OF THE CLAUSE. UNDER TIME PRESSURE (HIS LICENSE FOR THE PLANT WILL SOON EXPIRE IF WORK NOT BEGUN) AND PIQUED AT WHAT HE PERCEIVES AS A RENEGING ON THE AGREEMENT, ALI REZA TODAY SIGNED PAPERS FOR AN AGREEMENT WITH THE JAPANESE COMPANY WITH WHOM HE HAD BEEN NEGOTIATING BEFORE THE AMERICAN CONNECTION WAS INTRODUCED. EMBASSY HAS, HOWEVER, PREVAILED ON ALI REZA TO WITHHOLD SUBMISSION OF PAPERS FOR A FEW DAYS TO GIVE US A CHANCE TO GET ANACONDA TO RECONSIDER.

3. UNLESS THE PROBLEM IS MORE COMPLICATED THAN ALI REZA HAS INDICATED, WE FEEL THAT ANACONDA IS MAKING A MISTAKE. ASSUMING THERE WAS NOTHING BASICALLY WRONG WITH FINANCIAL STRUCTURING PER SE, THIS INVESTMENT CERTAIN TO BE VERY PROFITABLE AND PROJECT ASSURED OF SAG ASSISTANCE TO HELP IT OVER ANY ROUGH SPOTS. EMBASSY IS CONCERNED ABOUT THIS PROJECT FOR MORE THAN ITS OWN SAKE: IT WOULD HAVE BEEN A PROTOTYPE OF U.S. PARTICIPATION IN SAUDI DEVELOPMENT OUTSIDE THE HYDRO-CARBON SECTOR; IT INVOLVED THE NEW, YOUNG BREED OF (U.S. EDUCATED) SAUDI ENTREPRENEUR WITH WHOM WE WANT TO SEE THE AMERICAN CONNECTION PRESERVED AND ENHANCED; AND IT HAD DEMONSTRATED THE IDEA THAT IT IS WORTHWHILE TO SEEK THE ASSISTANCE OF USG COMMERCIAL SERVICES.

4. THE TIMING OF ALI REZA'S CALL TO THE EMBASSY IS A LITTLE BIT CUTE, AND IT STRIKES US THAT HE STILL WOULD MUCH PREFER AN AMERICAN PARTNER AND IS DELIBERATELY SEEKING TO USE US TO PRESUADE ANACONDA TO PERSEVERE. IT IS EQUALLY CLEAR HOWEVER THAT HE IS PREPARED TO GO AHEAD WITH THE JAPANESE AND WILL DO SO IF HE HAD NOT GOTTEN WORD FROM ANACONDA WITHIN A FEW DAYS.

5. ACTION REQUESTED: THAT COMMERCE IMMEDIATELY CONTACT JOHN PLACE, CHAIRMAN OF ANACONDA, TO EXPLORE WITH HIM POSSIBILITY THAT THEY WOULD RECONSIDER AND RESTART NEGOTIATION. COMPROMISE MAY POSSIBLY BE REACHED AND EMBASSY WOULD BE PLEASED TO PLAY A MEDIATING ROLE. PLS UNCLASSIFIED

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INFORM US ASAP OF PLACE'S REACTION. EMBASSY KUWAIT MAY WISH TO TALK OVER ABOVE WITH WILLIAM H. KENT OF INTERNATIONAL FINANCIAL ADVISORS WHO PLAYED A ROLE IN PUTTING THE DEAL TOGETHER.
AKINS

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